

1979 Annual Report  
Zurich Life Insurance Company of Canada

Lang



Member of the World-wide Zurich Insurance Group

## Highlights

	1979	1978
Business in Force . . . . .	\$2,288,242,053	\$1,982,645,295
New Individual Business . . . . .	\$ 258,314,779	\$ 152,462,280
New Group Life Insurance . . . . .	\$ 329,207,826	\$ 150,408,287
Premium Income . . . . .	\$ 26,354,957	\$ 24,726,569
Investment Income . . . . .	\$ 9,404,494	\$ 8,107,555
Policy Benefits . . . . .	\$ 15,308,444	\$ 13,534,895
Assets . . . . .	\$ 124,950,979	\$ 113,064,597
Net Earned Interest Rate . . . . .	9.22%	8.71%

# Balance Sheet

## Assets

	December 31 1979 \$	December 31 1978 \$
BONDS (Note 1) .....	59,818,565	51,902,176
STOCKS (Note 2) .....	3,509,017	3,240,778
FIRST MORTGAGE LOANS .....	38,658,174	38,739,623
REAL ESTATE .....	47,075	54,728
POLICY LOANS .....	5,858,868	5,383,409
CASH AND SHORT-TERM DEPOSITS .....	1,616,786	743,235
INVESTMENT INCOME DUE AND ACCRUED .....	1,656,890	1,484,548
SEGREGATED FUNDS .....	11,131,036	9,081,404
OTHER ASSETS .....	2,654,568	2,434,696
TOTAL ASSETS .....	<u>124,950,979</u>	<u>113,064,597</u>

## Liabilities, Capital and Surplus

	December 31 1979 \$	December 31 1978 \$
ACTUARIAL RESERVE FOR LIFE INSURANCE AND ANNUITY CONTRACTS (Note 3) .....	83,940,244	75,643,466
POLICY BENEFITS IN COURSE OF PAYMENT .....	3,790,877	3,689,266
POLICY BENEFITS ON DEPOSIT .....	4,974,089	4,913,764
POLICY DIVIDENDS PAYABLE .....	1,556,440	1,423,046
SEGREGATED FUNDS .....	10,892,958	8,916,292
OTHER LIABILITIES .....	2,031,424	2,432,784
TOTAL LIABILITIES .....	<u>107,186,032</u>	<u>97,018,618</u>
INVESTMENT VALUATION AND CURRENCY RESERVE .....	1,528,539	1,362,540
RESERVE FOR CASH VALUE DEFICIENCIES AND AMOUNTS OF NEGATIVE RESERVES .....	2,789,392	2,602,102
VALUATION RESERVE FOR MISCELLANEOUS ASSETS .....	1,290,190	1,292,491
TOTAL APPROPRIATED SURPLUS .....	<u>5,608,121</u>	<u>5,257,133</u>
SHARE CAPITAL .....	200,040	200,040
Authorized: 25,000 shares of \$20 par value. Issued: 10,002 shares.		
UNAPPROPRIATED SURPLUS .....	<u>11,956,786</u>	<u>10,588,806</u>
TOTAL LIABILITIES, CAPITAL and SURPLUS .....	<u>124,950,979</u>	<u>113,064,597</u>

Approved on behalf of the Board:

R.N. Mackintosh, Director.  
W. Leo Knowlton, Director.



# Statement of Operations and Surplus

	For the Year 1979 \$	For the Year 1978 \$
<b>INCOME</b>		
Insurance and annuity premiums .....	26,354,957	24,726,569
Investment income (less expenses \$124,558; 1978 — \$146,410) .....	9,404,494	8,107,555
Other .....	1,329,691	878,849
	<u>37,089,142</u>	<u>33,712,973</u>
<b>DISPOSITION OF INCOME</b>		
Paid or set aside for policyholders		
Death and disability benefits .....	4,636,376	5,176,535
Matured endowments and cash surrenders .....	6,036,265	4,859,777
Annuity payments .....	1,517,549	936,763
Policy dividends .....	1,553,583	1,259,121
Accident and sickness benefits .....	1,564,671	1,302,699
Interest credited to amounts on deposit .....	264,699	261,173
Increase in actuarial reserve .....	8,966,879	7,621,172
Increase in segregated funds .....	1,976,666	1,950,890
Other .....	360,678	408,856
	<u>26,877,366</u>	<u>23,776,986</u>
Commissions .....	3,293,429	2,965,917
Operating expenses .....	5,159,114	4,957,215
Premium, income and other taxes .....	395,920	365,134
	<u>35,725,829</u>	<u>32,065,252</u>
<b>NET INCOME</b> .....	<b>1,363,313</b>	<b>1,647,721</b>
<b>APPROPRIATIONS AND ADJUSTMENTS</b>		
Adjustment to pre-1978 non-admitted assets .....	(165,298)	1,279,348
Restatement of actuarial reserves .....	670,101	5,872,829
Investment valuation and currency reserve .....	(165,999)	766,505
Valuation reserve for miscellaneous assets .....	2,301	(1,290,973)
Reserve for cash value deficiencies and amounts of negative reserves .....	(187,290)	(2,602,102)
Dividends to shareholders .....	(150,030)	(100,020)
Other .....	882	50,641
	<u>1,367,980</u>	<u>5,623,949</u>
<b>INCREASE IN SURPLUS</b> .....	<b>1,367,980</b>	<b>5,623,949</b>
<b>SURPLUS, January 1</b> .....	<b>10,588,806</b>	<b>4,964,857</b>
<b>SURPLUS, December 31</b> .....	<b>11,956,786</b>	<b>10,588,806</b>
<b>ALLOCATED TO</b>		
General surplus .....	11,449,890	10,364,869
Shareholders' surplus .....	268,818	58,825
Segregated funds' surplus .....	238,078	165,112
	<u>11,956,786</u>	<u>10,588,806</u>

## Notes to the Financial Statements

1. The amount of \$59,818,565 includes \$97,225 in respect of unamortized losses on sales of bonds. (1978 — \$151,392).

2. The amount of \$3,509,017 includes \$479,089 in respect of unrealized appreciation of shares. (1978 — \$203,277).

3. The Actuarial Reserve has been determined taking into account deferred acquisition expenses of \$6,998,785. (1978 — \$6,656,576).

4. The Financial Statements of the Company have been prepared in accordance with the revisions to the Canadian and British Insurance Companies Act proclaimed in 1978.



# Directors' Report for the Year 1979

Your Directors are pleased to present the Annual Report of the Company for the year ended December 31, 1979.

## SALES:

The year 1979 was marked by substantial increases in the volume of new sales for both Individual and Group operations. New Individual Life and Annuity business put in force amounted to \$258.3 million which was nearly 70% above the amount for the preceding year. Although we experienced rapid growth in total, our Deferred Annuity sales continued to decline in the face of strong competition in the Registered Retirement Savings Plan market. However, Individual Life sales reached the highest mark in the Company's history. New Group Life Insurance put in force of \$329.2 million was more than double that of the previous year. In addition, while such plans were offered during only a portion of the year, our single premium annuity income increased from \$4.2 million to \$5.2 million.

## BUSINESS IN FORCE:

During 1979 our business in force reached two significant milestones. Our total business in force crossed the \$2 billion mark and our Individual business in force crossed the \$1 billion mark.

At the end of 1979 our total business in force was \$2.3 billion which compares to \$1.9 billion at the end of 1978. Individual business in force increased by \$122 million to \$1.07 billion, while Group Life in force increased by \$183 million to \$1.22 billion.

## INCOME:

Total income for the year was \$37.1 million relating to \$33.7 million in 1978, an increase of over 10%. Premium income increased by \$1.6 million to \$26.4 million while investment income increased from \$8.1 million to \$9.4 million. The net rate of interest earned by the Company on its general life insurance funds, after deduction of investment expenses, was 9.22% as compared to 8.71% in the previous year.

During 1979 the Company's investment policy continued to stress the need to provide maximum security to our policyholders. While from time to time we were able to take advantage of the extremely attractive short-term interest rates available, virtually all funds available for permanent investment were placed in the form of well-secured first mortgage loans on residential properties or corporate and government bonds.

## POLICY BENEFITS:

During 1979 benefits to policyholders and beneficiaries amounted to \$15.3 million. Of this amount \$1.6 million represented benefits under Accident and Sickness policies.

## STRENGTH AND SECURITY:

The actuarial reserve held by the Company in accordance with the Canadian and British Insurance Companies Act to meet liabilities under its insurance and annuity contracts was \$83.9 million compared to \$75.6 million at the end of 1978. The unallocated general surplus of the Company was increased from \$10.6 million to \$12.0 million, a gain of over 13.0%.

In addition, \$5.6 million is held as appropriated surplus to cover:

- (a) the Investment Valuation Reserve of \$1.5 million,

- (b) \$2.8 million excess of cash surrender values over actuarial reserves together with full provision for negative reserves, and
- (c) an amount of \$1.3 million fully providing for the value of assets shown for advances to agents, furniture and fixtures.

## ASSETS:

At the end of 1979 total assets of the Company amounted to \$125.0 million, which includes \$11.1 million in segregated investment funds. At the end of 1978 total assets amounted to \$113.0 million. Such assets were valued on the bases prescribed under the Canadian and British Insurance Companies Act.

## OPERATING EXPENSES:

Total operating expenses of the Company increased somewhat to \$5.2 million from \$5.0 million in 1978. While we have been very successful in recent years in controlling expense increases, it has been impossible to avoid completely the effects of inflation which are shown in these figures. Commissions to agents increased from \$3.0 million to \$3.3 million which reflects the increased level of sales activity referred to previously.

## NET INCOME:

Net Income for 1979 amounted to \$1.4 million as compared to \$1.6 million in 1978. No provision for Income Taxes has been made for 1979 as the Company's Tax Loss carry-forward was more than sufficient to cover 1979 taxable income.

## MORTALITY AND MORBIDITY:

Our mortality experience during 1979 under Individual insurance contracts was extremely favourable. On the other hand, our Group Life mortality experience, while showing improvement during the early parts of 1979 deteriorated dramatically in the final quarter producing an overall unfavourable result. Morbidity experience under the Group Accident and Sickness portfolio, which is substantially reinsured with Zurich Insurance Company, suffered from a deteriorating result during 1979, so that the portion retained by the Company suffered an underwriting loss which, fortunately, was more than compensated for by investment earnings. In some measure this situation is the product of the worsening economic climate and rate adjustments will be required during 1980 in order to improve the result for this portfolio.

## GENERAL:

The Directors would like to extend their sincere thanks to the staff, both in our Branches and at Head Office, for their excellent contribution during 1979.

## DIRECTORS:

The Directors note with deep regret the recent death of John William Medland who had served on the Board of Directors since 1947 and who was a member of the Executive Committee. Mr. Medland was closely tied to the Company and he will be sorely missed.

W. Leo Knowlton, Q.C.  
Chairman of the Board

R.N. Mackintosh  
President



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Head Office: Toronto, Canada.





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